

Message Text

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PAGE 01 STATE 287553 TOSEC 310005

63

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TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 287553 TOSEC 310005

LIMDIS FOR THE SECRETARY FROM HARTMA

E.O. 11652: GDS

TAGS: EFIN, PINT, UK, IT, SP

SUBJECT: BRIEFING MEMORANDUM: POLITICO-ECONOMIC REPORT
NO. 3 - SPAIN, ITALY, THE UK

SPAIN

-- SPAIN TOO IS JOINING THE WALKING WOUNDED. ITS FOREIGN
DEBT, ONLY DOLLARS 3.1 BILLION IN 1973, IS NOW NEARLY
DOLLARS 12 BILLION AGAINST ABOUT DOLLARS 5 BILLION IN
RESERVES. DEVALUED 10 PERCENT LAST JANUARY, THE PESETA
CONTINUES TO FLOAT DOWNWARD UNDER PRESSURE OF A CURRENT
ACCOUNT DEFICIT THAT WILL TOTAL ABOUT DOLLARS 3.5
BILLION FOR 1976.

-- THE SUAREZ GOVERNMENT'S STABILIZATION PLAN, ANNOUNCED
IN OCTOBER, CALLS FOR WAGE AND PRICE CONTROLS, (INFLATION
IS NOW 18-20 PERCENT), ENERGY PRICE HIKES AND CONSERVATION
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PAGE 02 STATE 287553 TOSEC 310005

MEASURES, IMPORT RESTRICTIONS, STRICTER TAX COLLECTION

AND A TEMPORARY RELAXATION OF LIMITATIONS ON THE ABILITY OF BUSINESS TO HIRE AND FIRE (UNEMPLOYMENT IS 6 PERCENT).

-- THE MAJOR OPPOSITION LABOR GROUPS HAVE CRITICIZED THE PLAN FOR PLACING THE MAJOR BURDEN OR RECOVERY ON THE WORKING CLASS.

-- BUT EVEN TOUGHER BELT-TIGHTENING MEASURES WILL BE REQUIRED TO REVERSE SPAIN'S ECONOMIC DOWNTURN AND WILL BE A FIRST ORDER OF BUSINESS OF THE PARLIAMENT TO BE ELECTED NEXT SPRING.

ITALY

-- THE UNIONS HAVE DEMANDED THAT THE ANDREOTTI GOVERNMENT SPELL OUT THE TOTAL INCREASED REVENUES NEEDED TO CONTAIN THE DEFICIT AND CONTROL INFLATION, AFTER WHICH THEY WILL NEGOTIATE WITH THE GOVERNMENT ON WAYS JOINTLY TO ACHIEVE THE GOAL.

-- THE COMMUNIST PROPOSAL TO REBATE PART OF THE GASOLINE TAX INCREASE TO LOW INCOME WORKERS PASSED THE CHAMBER OF DEPUTIES NOVEMBER 20.

UK

-- THE TUC HAS JOINED THE GOVERNMENT IN REJECTING MINERS CLAIMS TO EARLY RETIREMENT ABOVE AND BEYOND WAGE CLAIMS. THE MINERS ARE THREATENING TO STRIKE, WHICH COULD BE A SERIOUS SETBACK FOR THE SOCIAL CONTRACT.

-- RICHARDSON SAW HEALEY, WHO CONFIRMED THAT THE GOVERNMENT IS WORKING ON A CUT IN THE DEFICIT TO SATISFY THE IMF. HEALEY ALSO INDICATED THAT CALLAGHAN WILL REQUIRE HELP ON STERLING BALANCES AS PART OF A FINAL PACKAGE.

-- HEALEY HOPES A PACKAGE CAN BE WORKED OUT BY DECEMBER 7 WITH A FEW DAYS MORE TO WORK OUT SOMETHING ON STERLING BALANCES. ROBINSON

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